

Folio:

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Chuck McCullagh of *New Shelter*

THE MAGAZINE FOR MAGAZINE MANAGEMENT

PART I OF II

Allen Hammond of *Science 85*

Gerard Byrne of *Cruik's New York Business*



12 who did it reveal

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60% of consumer magazines post circulation increases

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Circulation growth

2nd half 1984 vs. 2nd half 1983
% of consumer magazines gaining circulation
Based on 424 magazines



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Rupert Murdoch is already looking for extensions to his newly acquired business magazine properties, but stresses interest in whole communications spectrum. **85**

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UPDATE

60% of consumer magazines post circulation increases

Single-copy declines continue, but healthy subscriptions buoy circulation totals

■ **Schaumburg, Ill.**—Sixty percent of the 434 U.S. consumer magazines reporting to the Audit Bureau of Circulations for the second half of 1984 reported overall circulation gains as compared with the same period in 1983, a FOLIO: analysis of ABC's Fax report shows.

Subscription gains were posted by 64.7 percent, but over half (52.8 percent) had single-copy sales declines. (See "Single-copy slump discussed," FOLIO:, page 20, February 1985.) Categories showing substantial single-copy sales losses, as a whole, included general interest magazines, newsweeklies and regionals—although regionals showed healthy gains in total circulation. Many special interest magazines, however, fared well on the newsstand during the second half.

The leader among the top 10 gainers in overall circulation, in terms of percentage increases, was *Sylvia Porter's Personal Finance Magazine*. The magazine, which was launched in late 1983, showed a 198.8 percent increase for a total paid circulation of 338,518. Among the other top circulation gainers were *Compute!'s Gazette* (+ 133.1 percent), *Sun* (+ 98.7 percent), *Fami-*

ly Computing (+ 87.5 percent), *Inside Sports* (+ 71.6 percent), *Denver Magazine* (+ 52.5 percent), *Circus* (+ 50 percent), *Pro Bass* (+ 47.2 percent), *Video Review* (+ 41.9 percent) and *Fins and Feathers* (+ 41.6 percent).

Magazines that had among the largest decreases in overall circulation, in terms of percentages, were *Tiger Beat* (- 38.0 percent), *Microcomputing* (- 33.8 percent), *Lady's Circle* (- 33.0

percent), *Gambling Times* (- 31.8 percent), *Electronic Games* (- 30.2 percent), *Nashville!* (- 27.9 percent), *Isaac Asimov's Science Fiction* magazine (- 27.0 percent), *Newsweek International*, Asia edition (- 25.6 percent), *80 Micro* (- 22.4 percent) and *San Francisco* magazine (- 22.2 percent).

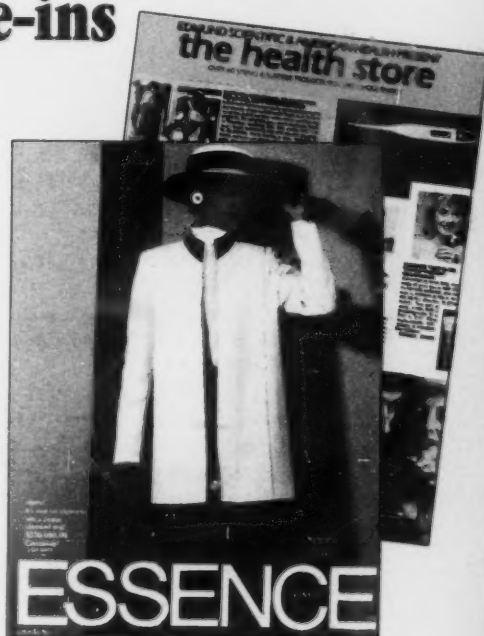
As a group, national business magazines did quite well in overall circulation. **CONTINUED ON PAGE 26**

New catalog tie-ins

Joint ventures with catalogers bring profits to *Essence* and *American Health*

■ **New York City**—Although catalogs have been blamed for a host of ills, from the paper crunch to the postal glut, magazines are gradually learning to live with their feisty second cousins—and even to like them. Many magazines accept catalog advertising and carry catalog inserts, but a few are cooperating with catalogers on extended joint ventures, where each shares the costs and profits.

One happy union is that of *Essence* and mammoth cataloger Hanover House. The two have struck up a 50/50 partnership to create and market a catalog aimed at upscale black



Magazines are cashing in on new co-op ventures with catalogers.

the media buyer to the account executive and creative staff.

James Hoefer, publisher of *Fortune*, says his magazine's preliminary work with lifestyle and values research, done in the early seventies, did not prove to be a strong selling tool. "We found it interesting," he reported, "but it did not discriminate among the business magazines." He also thinks media departments are not very receptive to the idea. While that kind of research "might reflect the tone of the audience," he admits, "media directors don't want to base decisions on it."

Gail Clyma, *Fortune's* director of market research, concurs. She believes that, in any case, such systems as VALS already have a lot of demography built in and that research along those lines does not differentiate enough among readers of *Fortune*. She notes that one quarter of the adult population in the United States falls into the "achiever" lifestyle category and that, among those, only about 1 percent are *Fortune* readers. Furthermore, she doesn't feel that psychographic research can tell them much about their readers that they don't al-

ready know. Also, she believes, trade publications (depending on their field) could have similar problems using such research to differentiate among readers.

"Numbers don't live and breathe," contends Gordon. "People profiles have sex appeal for copywriters and art directors. And getting the creative community interested in your publication can result in better ad schedules."

"We need to realize we're dealing with people, not companies," Gordon said. "We need to promote the business consumer's chemistry and find out how our readers run their departments." □

CONTINUED FROM PAGE 23

National business magazines had big circulation gains

ulation. In addition to *Sylvia Porter's Personal Finance Magazine, Inc.* showed a healthy increase of 22.4 percent, *Financial World* posted a 12.4 percent gain, *Venture* magazine had a 9.9 percent hike and *Money* revealed a circulation gain of 9.6 percent. Smaller percentage increases were logged by *Fortune* (+ 2.6 percent), *Business Week*, worldwide (+ 0.9 percent) and *Forbes* (+ 0.8 percent).

Circulation results for regional business magazines were mixed. *Indianapolis Business Journal* was up 10.1 percent. *Pittsburgh Business Times* was up 9.4 percent, but across the state, *Philadelphia Business Journal* dropped

3.7 percent.

Regional and city magazines did well in general. *Denver* had the most dramatic increase in circulation (+ 52.5 percent). Other regionals showing increases included *Indianapolis Monthly* (+ 24.8 percent), *Phoenix* (+ 13.9 percent), *Ohio* (+ 13.4 percent) and *California* (+ 12.9 percent). Among those posting decreases in circulation were *Nashville!* (- 27.9 percent), *San Francisco* (- 22.2 percent) and *Pennsylvania Outdoors* (- 19.4 percent).

Circulation results for computer magazines were mixed. In addition to the major percentage gain of *Compute!'s Gazette*, *Family Computing* was up by 87.5 percent, *Personal Computing* rose by 17 percent and *Compute* by 14.2 percent. But *Microcomputing* dropped 33.8 percent, *80 Micro* declined 22.4 percent and *Popular*

Computing was down 6 percent.

Among women's magazines, all but one of the "seven sisters" showed declines in overall circulation. The exception, *Better Homes & Gardens*, logged a slight increase of 0.2 percent. *Woman's Day* revealed the largest drop (- 7.2 percent), followed by *Good Housekeeping* (- 3.9 percent), *Family Circle* (- 3.8 percent), *Ladies' Home Journal* (- 3.7 percent), *McCall's* (- 0.7 percent) and *Redbook* (- 0.2 percent).

Among other women's magazines, *Working Woman* shone, with an increase of 15.9 percent. *Working Mother* rose 7.3 percent, *Savvy* and *Glamour* showed very slight gains of 1 percent and 0.6 percent, respectively. Magazines that posted declines included *Mademoiselle* (- 4.3 percent), *New Woman* (- 2.4 percent), *Self* (- 2.3 percent) and *Ms.* (- 0.7 percent). □

Top 10 magazines, overall circulation*

Second half 1984

	Total circulation	% increase/decrease†
1. <i>Reader's Digest</i>	17,866,798	-0.4
2. <i>TV Guide (USA)</i>	17,115,233	0.3
3. <i>Modern Maturity</i>	10,770,688	15.4
4. <i>NRTA/AARP News Bulletins</i>	10,431,921	14.0
5. <i>National Geographic</i>	10,392,548	-2.2
6. <i>Better Homes & Gardens</i>	8,058,839	0.2
7. <i>Family Circle</i>	6,920,333	-3.8
8. <i>Woman's Day</i>	6,517,684	-7.2
9. <i>McCall's</i>	6,311,011	-0.7
10. <i>Good Housekeeping</i>	5,184,559	-3.9

*Based on figures as reported in ABC Fas-Fax report for the six-month period ending December 31, 1984.

†As compared with the same six-month period in 1983.

Slipping from third largest circulation consumer magazine, in the first half of 1984, to fifth largest, in the second half, was National Geographic. Modern Maturity moved up to third place, from fourth.

Largest percent gains, overall circulation*

Second half 1984

	Total paid circulation	% gain†
1. <i>Sylvia Porter's Personal Finance Magazine</i>	338,518	198.8
2. <i>Compute!'s Gazette</i>	290,227	133.1
3. <i>Sun</i>	196,794	98.7
4. <i>Family Computing</i>	383,048	87.5
5. <i>Inside Sports</i>	310,074	71.6
6. <i>Denver Magazine</i>	7,383	52.5
7. <i>Circus</i>	470,363	50.0
8. <i>Pro Bass</i>	128,931	47.2
9. <i>Video Review</i>	380,309	41.9
10. <i>Fins and Feathers</i>	465,626	41.6

*Based on figures as reported in ABC Fas-Fax report for the six-month period ending December 31, 1984.

†As compared with the same six-month period in 1983.

Biggest gainers in total circulation for last year's second half make up a mixed bag of magazine categories. Categories represented include financial, computer and sports magazines.

Tax reforms up demand for flexible benefits

More publishers may find "cafeteria style" plans to be the best solution

■ **New York City**—The tax-free status of employee benefits is under fire by Washington tax reformers. If they have their way and benefits become taxable, magazine publishers, along with the rest of corporate America, may find employees demanding fewer and more flexible benefits.

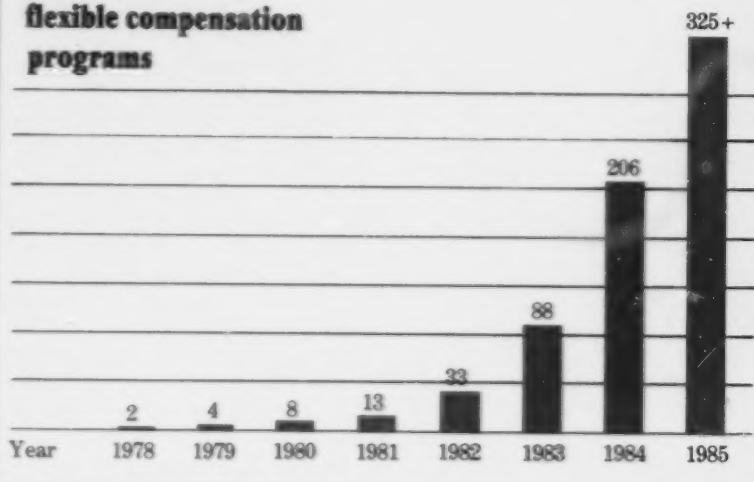
Management can introduce such flexibility through "cafeteria style" plans. These plans, which give workers a choice in how they spend their benefit dollars, have become increasingly popular in the last five years in all business circles, publishing included. Although cafeteria plans also stand to lose their tax-favored status, experts predict that employees, faced with the prospect of paying taxes on their benefits no matter what, will demand the flexibility such plans offer.

As they work now, cafeteria plans allow employees to choose between accepting non-taxable benefits, such as health and life insurance; cash, which can be either immediately taxed or funneled into tax-deferred retirement or profit-sharing programs known as 401(k) plans; or a combination. Cafeteria plans, available legally since 1978, gained popularity in 1980 when the tax

February ad revenue up 14%

February ad revenue for 142 Publishers Information Bureau member magazines totaled \$374,236,496—a gain of \$46,876,057, or 14.3 percent, over February 1984. Ad pages for the month totaled 11,851.78—an increase of 160.06, or 1.4 percent. Revenue for the first two months of 1985 totaled \$658,087,599—an increase of 10.7 percent over the first two months of 1984; pages totaled 21,141.54—a slight increase over that period in '84. □

Growth in use of flexible compensation programs



Flexible benefit plans have caught on rapidly with employers. In 1980 only eight companies had introduced flex plans; by 1984 over 200 had done so. Experts see the trend continuing.

laws were revised to include the 401(k) option as one allowable cafeteria benefit. With that addition, employees could get the tax advantage whether they choose benefits or cash. (See "Tax breaks luring more publishers to 401(k) plans," FOLIO: March 1985, page 17.)

Powerful forces combined in the 1970s to spur demand for flexible benefits. Dramatic changes in America's work patterns, including the growth of two-paycheck families and women in the workforce, have obsoleted standard benefit packages designed for the breadwinning male with a family.

Flexible benefit programs, therefore, have provided a means for employers to respond to their employees' changing lifestyles. The plans allow workers to tailor the amount and type of benefits to suit their diverse needs and priorities, as well as to adjust benefits as their careers progress. For example, a young single employee may choose little life insurance, but opt for more disability insurance. This flexibility ensures employee satisfaction with benefit plans.

Capping benefit costs

Employers are also turning to cafeteria plans as a way to cap spiraling benefit costs: The cost of providing health care alone rose 15 percent from 1980 to 1981 and another 17 percent from 1982 to 1983, according to Hewitt Associates, a total compensation consulting firm. "Flexibility lets the manager separate the kind of benefits from the cost of compensation, so it exposes a lower portion of the program to inflation," says Hewitt consultant Pat Graham.

Under the old-style systems, she explains, the employer offered a set package of benefits. As the cost of those benefits rose, the employer's cost grew. Now, under the most common cafeteria plan, employers offer a smaller core of basic benefits plus an array of options that can be purchased by an employee with a fixed allotment of benefit dollars. If the employee wants more coverage than his dollars will buy, or if the cost of those options rises with inflation, he has to pay the extra charge. The employer, on the other

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hand, has separated the benefit offered from the price; his contribution for the flexible portion of the benefits package remains fixed.

Although some cafeteria plans can be very complicated and expensive to set up and administer, part of their growing popularity comes from recognition that they can also be very simple. On the most basic level, for instance, employers are introducing flexibility by allowing employees to make their contributions for benefits on a "salary reduction" basis. This means that contributions are deducted before taxes are calculated, in effect lowering the employee's gross income and therefore his tax liability. The employer profits because he pays social security tax only on the employee's reduced salary.

Employees can also funnel salary reductions into non-taxable flexible spending accounts—another easy cafeteria plan. The account can be drawn on to cover such expenses as medical plan deductions, unreimbursed medical expenses, child day care expenses

and so on. The same tax advantages apply.

Cut headaches with cash?

All of this may change, of course, if the tax reformers have their way. The Treasury Department's 1984 proposal seeks sweeping changes in the tax structure, including the elimination of many deductions. Employee benefits are high on the hit list: Treasury's plan would impose a cap on tax-free employer-paid health insurance premiums, tax all group-term life insurance and other employer-provided benefits such as day care, commuting, legal and educational assistance, and eliminate popular 401(k) savings plans, for starters.

No one can say how quickly Congress will act on the tax reform issue, or how employee benefits will be affected in the process. It seems unlikely, however, that benefits' tax-free status will emerge unscathed. Says one benefits consultant philosophically: "Ultimately, managers may find they can cut down on administrative headaches by giving employees straight cash, rather than taxable benefits." □

SWOP standards ignored

Printer reports 75% of materials received don't meet industry recommendations

■ **New York City**—Despite the efforts of a dozen industry groups to promote the use of SWOP (Specifications for Web Offset Publications) guidelines, there has been widespread noncompliance, according to several speakers at a recent American Business Press Winter Conference production workshop.

Ron Cummings, director of sales for United Color, Dayton, Ohio, told participants that 75 percent of the materials coming to his printing plant don't meet the standards.

Others in the audience, and some speakers, agreed with Cummings that the program has had "disappointing results" and standards have "been ignored."

The most common reason materials do not meet standards is inadequate undercolor removal, according to

records kept at United Color. Cummings maintained that the recommended 260 percent is enough ink under most circumstances. "When you use more than that, the ink will not trap," he said.

Belinda Anzalone, account manager, Tru Color, a color separator, stressed, however, that there are times when it doesn't make sense to comply with the tonal density guidelines. She said her job was to ensure the best printing possible. "If there are lots of dense blacks and medium blacks, the image requires more than the 260 percent limitations," Cummings disagreed. He maintained that 100 percent black and 60 percent blue will give you the densest black you'll ever want. All other colors in a four-color subject can easily be reproduced with 260 percent total ink density, he said.

Proofs out of spec

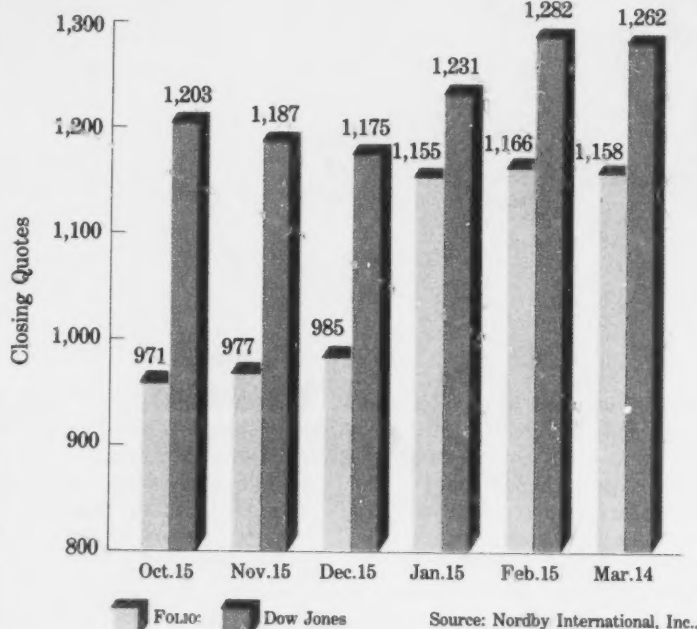
The second most common problem is proofs that are out of spec, Cummings reported. "Often, the proofs are even sharper than the film," he said.

Other problems he cited:

• Proofs pulled in the wrong direction—pulled side by side, when most

FOLIO: tracks publishing companies' financial performance

FOLIO: Stock Index



Source: Nordby International, Inc., Boulder Colorado

How are magazine publishing companies doing? One barometer of performance is the stock market. While only a handful of companies publishing magazines are publicly traded, these companies can be tracked easily and their performance can be compared with other indexes.

Nordby International, Inc., Boulder, Colorado, has developed an index exclusively for FOLIO, which gives a graphic representation of the collective performance of the stocks that make up this large and diverse business segment. FOLIO: acknowledges that many of the companies listed (e.g., ABC) are active in areas of communications in addition to magazine publishing and that the contribution of magazines to total revenue varies widely by company. The FOLIO index is compared to the Dow Jones Industrial Average Index. Nordby also provides comparisons with other financial indicators, as well as a market diary that recaps vital statistics. With the help of Nordby, FOLIO: expects to provide this Index quarterly.

Stock market performance of 17 companies publishing magazines

EXCH.	COMPANY	TICKER SYMBOL	CLOSING PRICE 2/15/85	CLOSING PRICE 3/14/85	NET CHANGE IN PERIOD	PERCENT CHANGE IN PERIOD	P/E RATIO	EARNINGS PER SHARE	ANNUAL DIVIDEND RATE	52 WEEK HIGH	52 WEEK LOW	
NYS	A B C	ABC	66.00	70.00	4.00	6.06	10	6.71	1.60	77.25	52.75	
NYS	DUN & BRADSTREET	DBS	71.50	68.38	-3.12	-4.36	21	3.33	1.88	73.00	51.25	
NYS	GAPLING TIMES	-	1.10	1.00	0.00	0.00	0	0.00	0.00	1.10	0.00	
NYS	HARCOURT BRACE JOVANOVICH	HBC	52.50	49.75	-2.75	-5.24	3	3.70	1.00	53.75	23.00	
OTC	I.M.S. INTERNATIONAL (H)	IMSI	40.00	42.63	2.63	6.58	18	1.44	1.16	42.63	22.50	
NYS	MACHILLAN INC.	MIL	50.00	50.25	0.25	0.50	15	3.45	1.00	54.63	26.53	
NYS	MCGRAW-HILL	MHP	44.63	45.00	0.37	0.83	14	2.78	1.40	48.75	34.00	
NYS	MERIDITH CORP.	MRP	64.50	61.50	-3.00	-4.65	14	1.10	1.00	68.75	40.00	
OTC	NATIONAL LAMPOON	NLP	3.13	3.13	0.00	0.00	0	-4.45	0.00	0.00	4.13	1.30
OTC	NEW YORKER MAGAZINE (H)	NYMR	175.00	194.50	19.50	11.14	32	3.66	1.60	194.50	127.00	
ASE	PITTMAN CORP.	PRY	78.33	78.75	0.42	0.54	18	5.20	1.00	71.50	57.00	
NYS	PLAYBOY ENTERPRISES	PLA	13.38	12.00	-1.38	-10.31	3	1.13	0.00	13.63	7.00	
OTC	PLAZA COMMUNICATIONS	PLAZ	1.16	1.03	-0.13	-11.21	0	0.00	0.00	1.01	0.00	
NYS	TIME INC.	TIC	50.00	48.00	-2.00	-4.00	14	2.31	1.00	52.13	33.75	
NYS	TIMES-MIRROR	TMC	48.75	44.63	-4.12	-8.45	13	2.17	1.36	51.00	33.13	
ASE	WASHINGTON POST	WPO.B	92.00	100.50	8.50	9.24	16	3.64	0.96	105.00	61.00	
OTC	WEBB CO.	WBC	13.00	12.50	-0.50	-3.85	11	1.79	0.36	13.30	8.63	

Six stocks advance; nine decline; two unchanged: Figures for the period 2/15/85 to 3/14/85 reveal the biggest gainer in price to be The New Yorker Magazine, Inc., with a rise of \$19.50. The largest dollar loser was Times Mirror, off \$4.12. The largest percentage gainer was The New Yorker Magazine, up

11.14 percent; the largest percentage loser was Plaza Communications, down 11.21 percent. The New Yorker and I.M.S. International posted new highs. Nordby International's comparisons with different stock market indexes shows that the FOLIO: group of 17 publishing companies did better

during the one-month period studied than the Dow Jones Industrial Average (-8.08 compared to -20.32), but not as well as Standard & Poor's 500 Stock-Price Index (-3.41), the S&P 400 Industrials (-3.53), the New York Stock Exchange Composite (-2.03) and Value Line Index (-7.19).